

## OUTGOING MESSAGE

COMINT

Approved For Release 2002/01/14 : CIA-RDP78S01932A000100020067-3

CHANNELS

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CLASSIFICATION							SIGNAL CENTER USE ONLY														
CONFIDENTIAL			CIA / OCI			/UHIZ 740227															
MESSAGE HANDLING INDICATOR			DATE-TIME GROUP			CITE			MESSAGE REFERENCE NUMBER												
SOURCE REF:			ROUTING																		
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TO: IMMEDIATE WHITE HOUSE//SITUATION ROOM FOR MR REAGAN,  
 STATE RCI//OPERATIONS CENTER FOR MR FRY, NMCC//ATTENTION  
 [REDACTED]

25X1A

## HANDLING NOTICE SENSITIVE INTELLIGENCE SOURCES AND METHODS INVOLVED

ITEM NO: 2

DATE: 27 FEB 78

SUBJECT: CANADA-US: FERROUS METALS IMBALANCE COULD LEAD TO  
 POLITICAL PROBLEMS 25X1A

REF: [REDACTED]

FACED WITH SERIOUS SHORTAGES IN FERROUS METALS IN THE SECOND HALF OF 1978, CANADIAN STEELMEN ARE ASKING THE GOVERNMENT TO ISSUE AN URGENTURM TO WASHINGTON: EITHER OPEN THE CANADIAN-US BORDER TO FERROUS SCRAP TRADE OR FACE TIGHTER CONTROLS ON SCRAP EXPORTS TO THE US. CURRENT HIGHER PRICES IN THE US ARE ATTRACTING CANADIAN STOCKS OF BOTH SCRAP AND PIG IRON TO US MARKETS. WHILE THE US LIMIT ON EXPORTS TO CANADA OF 800,000 TONS ANNUALLY MAY PREVENT CANADA FROM MEETING ITS OWN NEEDS FOR STEEL LATER IN THE YEAR EVEN AT HIGHER PRICES. SCRAP SHORTAGES ARE LIKELY EVEN

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**CLASSIFICATION**

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AT HIGHER PRICES. SCRAP SHORTAGES ARE LIKELY EVEN IF CANADA'S EXISTING STOCKS ARE NOT EXPORTED TO THE US.

THE CANADIAN GOVERNMENT HAS DELAYED GRANTING REQUESTS FOR PERMITS TO EXPORT SCRAP AND PIG IRON TO THE US IN HOPES THAT PRICES WILL STABILIZE AND THUS ELIMINATE THE NEED FOR STRICT EXPORT CONTROL. IN THE MEANTIME, THE CANADIAN MINISTER OF INDUSTRY TRADE, AND COMMERCE WILL PETITION WASHINGTON FOR EASING OF EXPORT CONTROLS. Cf IMPDET-1

SPECIAL DISTRIBUTION: NEWSPRINT

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27 FEB 79

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